

Our Ref WGS/OGH/ALH/D00112/PF7

TO THE CREDITORS

20 September 2010

Dear Sirs

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

F +44 (0)20 7184 4301
www.grant-thornton.co.uk

**Defined Returns Limited - In Administration (the Company or DRL)
High Court of Justice, Chancery Division, Companies Court
Ref 19594 of 2009**

1 INTRODUCTION

- 1.1. Following the appointment of Martin Ellis and I as joint administrators of the Company by the Directors on 14 October 2009, I am now in a position to present a final progress report in this matter.
- 1.2. I enclose Form 2.34B together with an account of my receipts and payments at Appendix A in accordance with Rule 2.47 of the Insolvency Rules 1986.
- 1.3. In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them.
- 1.4. This report should be read in conjunction with my statement of proposals dated 7 December 2009 and my six month progress report dated 13 May 2010.

2 STATUTORY INFORMATION

- 2.1. The Company's statutory details are as follows:

Defined Returns Limited

Registered number	04991156
Date of incorporation	10 December 2003
Registered office	30 Finsbury Square London EC2P 2YU
Former trading address	39 Alma Road St Albans AL1 3AT

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Directors

Paul Bispham
John Waller

3 SUMMARY OF THE JOINT ADMINISTRATORS' PROPOSALS

- 3.1. As you are aware the business of a meeting of the creditors, pursuant to paragraph 51 (1) of Schedule B1 to the Insolvency Act 1986, was duly conducted by correspondence in accordance with paragraph 58 of Schedule B1 to the Insolvency Act 1986.

The statement of proposals as circulated to creditors on 7 December 2009 was approved without modifications. The Joint Administrators have achieved the objective achieving a better result for the Company's creditors as a whole than would be likely if the Company was wound up.

- 3.2. In accordance with paragraph 83 of Schedule B1 to the Insolvency Act 1986, the administrators proposed that the administration will end by the Company going into creditors voluntary liquidation (CVL), or if there are no monies available for unsecured creditors, by the dissolution of the Company. It is anticipated that there will be a distribution to unsecured creditors and the proposals detailed that if the Company was to be placed into CVL the administrators in office at that date would be appointed Joint Liquidators.

4 SALE OF BUSINESS ASSETS

Sale of Structured Product Book

- 4.1. As detailed in my proposals of 7 December 2009 I have been involved in negotiations with a number of parties in regard to the sale of the Structured Product book.
- 4.2. In general, the non-Lehman Brothers structured product book was managed by DRL's sister company NDF Administration Limited (NDF) (also in administration). However, there were four non-Lehman Brothers structured plans managed by the Company. This compares to in excess of 20,000 non-Lehman Brothers plans which were managed by NDF.
- 4.3. Given the above, the consideration in respect of the structured product books of NDF and DRL is payable to NDF exclusively.
- 4.4. The transfer of plan administration, for the live structured products, to Meteor took place on 5 March 2010. This has safeguarded the plans against the possibility of early liquidation and ensured that they are fully administered up to contractual maturity.

5 ASSETS AND LIABILITIES

Assets

- 5.1. Cash at bank on appointment
The Company had cash at bank of c.£157,000 at the date of my appointment (excluding client account monies).

5.2. Book debts

The Company books and records indicated book debts amounting to c.£10k at the date of my appointment. It is unlikely that these debts will be recoverable given potential related party set-offs.

5.3. Possible claims in the insolvency of the Lehmans Entities

I have submitted a contingent claim in the insolvency of Lehman Brothers Inc and I am currently preparing contingent claims in the insolvencies of other European Lehman Entities.

These claims would only crystallise in the event that the Financial Services Compensation Scheme (FSCS) determines that some claims against the Company in respect of the mis-selling of structured products backed by Lehman Entities are valid. The extent to which the FSCS pays any compensation to the investor and takes an assignment of the debt, subsequently making a corresponding claim in the insolvency of the Company, may give rise to a contingent claim for the Company against the respective Lehman Entities. The FSCS has recently announced that it expects to conclude its investigations at the end of September 2010.

I will continue to liaise with the FSCS to determine whether such a claim is ultimately pursued by the Company or the FSCS.

Liabilities

5.4. There are no charges over the Company's assets. Therefore, after discharging the administration expenses any further realisations will be available for distribution to the unsecured creditors.

5.5. It is too early to predict the timing or value of any dividend, which will be heavily dependant on both the ultimate value of claims submitted by the FSCS and the FSCS's stance as regards making a claim in the Lehman Brothers insolvencies.

5.6. Preferential Creditors

All of the Company's work was carried out by the employees of NDF. As such, the Company had no employees and, as a result, there are no preferential creditors.

5.7. Unsecured Creditors

Unsecured liabilities are estimated to total £39,929 and consist of c.8 creditors. This does not include the potential contingent liabilities arising from the Lehman Entities backed structured products.

5.8. Contingent Creditors

There are significant contingent creditors arising as a result of the failure of Lehman Entities. These contingent claims amount to a theoretical maximum of c.£23 million in unsecured claims.

I understand that the FSCS have compensated some investors who had claimed that their investment had been mis-sold. However, I am yet to receive a claim from the FSCS in this respect.

6 CONDUCT OF THE ADMINISTRATION

Administration of the Product Books

- 6.1. As detailed in previous correspondence the Company's bank accounts were frozen whilst I complied with certain Financial Services Authority (FSA) rules governing client monies. This task was completed by the end of October 2009 and no deficiencies or omissions were noted.

Investor Communications

- 6.2. Immediately following my appointment I prepared and distributed an initial letter to c.40,000 individuals (across the two companies, DRL and NDF) who had made an investment in a product offered by the Company. I also set up a dedicated helpline and website to provide information to investors.
- 6.3. Following the receipt of FSA directions allowing me to trade the Company as normal, I have written a more specific letter to investors outlining how my appointment has affected them and what action, if any, they should take.
- 6.4. Due to the inherent costs involved in mail outs to the current level of investors I do not propose to distribute any further reports.
- 6.5. I will, where appropriate, include on the creditor website updates for any significant change of circumstances.

Exit Route

- 6.6. As proposed, the administration will end by placing the Company into CVL to enable a distribution to be made to the unsecured creditors, with the appointment of Martin Ellis and I as Joint Liquidators.
- 6.7. On registration of Form 2.34B by the Registrar of Companies, the administration will cease to have effect and the Company will enter CVL as though a members resolution had been passed on that day.
- 6.8. The appointment of Martin Ellis and I as Joint Liquidators will be advertised in the London Gazette and the Company's creditors will be written to in order to invite creditors to submit their claims.
- 6.9. The purpose of the CVL will be to adjudicate the unsecured creditors claims and distribute the funds.
- 6.10. In this case the outcome for creditors is inextricably linked to the insolvencies of the various Lehman Brothers entities and the conclusions of the FSCS in determining the outcome of any compensation claims. As such the process is likely to be more protracted than other insolvencies.

Receipts & Payments

- 6.11. My receipts and payments account covering the period 14 October 2010 to 20 September 2010 is attached at Appendix A.

7 LEHMAN BROTHERS BACKED FINANCIAL PRODUCTS

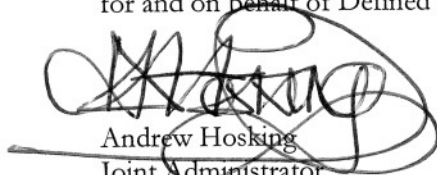
- 7.1. As you are aware the majority of the Company's financial products were backed by Lehman Brothers. Furthermore, as I have stated in previous correspondence, a number of investors have made claims to the FSCS that the Company's literature was deficient in relation to its representations as to the effect of counter-party failure.
- 7.2. In its assessment of claims to date I understand that the FSCS has drawn a distinction between products which are considered "Capital Secure" and products where the invested capital was "at risk".
- 7.3. I am aware that the FSCS have contacted those with "Capital Secure" plans directly to invite plan holders to make a claim.
- 7.4. In relation to Capital at Risk plans the FSCS are still considering whether to invite claims, and have recently announced that they are likely to have made their decision by the end of September 2010.

8 ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 8.1. In accordance with my proposals dated 7 December 2009 the administrators' remuneration is calculated according to the time properly given by the administrators and their staff in attending to matters arising in the administration.
- 8.2. The administrator will charge out of pocket expenses at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates. VAT is added to disbursement charges as necessary.
- 8.3. Payments of the administrator's remuneration and disbursements are to be met from funds held in the administration in priority to the claims of creditors, and, after approval of the basis, the administrator may draw sums on account.
- 8.4. In accordance with Statement of Insolvency Practice (SIP 9), I attach as Appendix B a summary of my time costs to 20 September 2010 by grade of staff and type of work. This shows total time costs of £50,917.20, representing 250.81 hours at an average of £226.52 per hour, against which I have drawn fees of £48,847.95 on account. Details of any matters which have had a significant impact on the time costs are included in Appendix B.

Should you have any further queries please contact the Defined Returns Limited helpline on 0844 770 2203.

Yours faithfully
for and on behalf of Defined Returns Limited



Andrew Hosking
Joint Administrator

The affairs, business and property of Defined Returns Limited are being managed by Andrew Hosking and Martin Ellis, appointed as joint administrators on 14 October 2009.

The Insolvency Act 1986

Notice of move from administration to creditors' voluntary liquidation

2.34B

Name of Company Defined Returns Limited	Company number 04991156
In the High Court of Justice, Chancery Division, Companies Court (full name of court)	Court case number 19594 of 2009

(a) Insert full
name(s) and
address(es) of
administrator(s)

We (a) Andrew Lawrence Hosking & Martin Gilbert Ellis
of
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

(b) Insert name and
address of the
registered office of
company

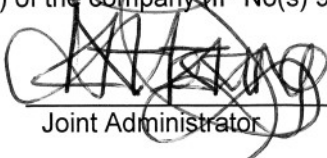
having been appointed administrator(s) of (b) Defined Returns Limited, 30 Finsbury Square, London
EC2P 2YU

(c) Insert date of
appointment
(d) insert name of
applicant/
appointer
(e) Insert name(s)
and address(es) of
liquidator(s)

on (c) 14 October, 2009
by (d) Paul Bispham & John Waller, the Directors of Defined Returns Limited
hereby give notice that:

the provisions of paragraph 83(1) of Schedule B1 to the Insolvency Act 1986 apply, and it is
proposed that (e) Andrew Lawrence Hosking & Martin Gilbert Ellis
will be the liquidator(s) of the company (IP No(s) 9009 & 8687)

Signed


Joint Administrator

Dated

20 SEPTEMBER 2010

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the public record

Will Stagg
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

DX Number

Tel/Fax 020 7865 2123
DX Exchange

Companies House receipt date barcode

When you have completed and signed this form, please send it to the Registrar of Companies at:-
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

Defined Returns Limited - In Administration**Joint Administrators' Abstract Of Receipts And Payments
For the period 14 October 2009 to 20 September 2010**

RECEIPTS	Total (£)
Cash at Bank	157,004
Bank Interest	202
	<hr/>
	157,206
	<hr/>
PAYMENTS	
Advertising	70
Postages	63
FSA Regulatory Fees	1,521
Legal Fees	23,023
Administrators' Fees	48,848
Administrators' Expenses	582
Misc Float Payments	35
VAT Paid	12,425
	<hr/>
	86,567
	<hr/>
Balances in Hand	70,639
	<hr/>

Appendix B

Defined Returns Limited - In Administration SIP 9 TIME COST ANALYSIS
14 October 2009 to 20 September 2010

	Manager		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Administration and Planning	18.80	6,227.00	4.40	1,192.50	156.09	26,260.15	179.29	33,679.65
Creditors	3.80	1,315.00	1.55	426.25	19.30	2,817.00	24.65	4,558.25
Investigations	0.25	82.50			2.70	463.00	2.95	545.50
Realisation of Assets	4.10	1,353.00	22.30	6,132.50	5.15	776.00	31.55	8,261.50
Trading	10.22	3,377.55	1.25	343.75	0.90	151.00	12.37	3,872.30
Total	37.17	12,355.05	29.50	8,095.00	184.14	30,467.15	250.81	50,917.20
								226.52

Total Fees billed to date: £48,847.95

Administration & Planning	Includes; case planning; statutory obligations (e.g statutory returns); maintenance of cash and estate records; general correspondence, investor correspondence and liaising with HM Revenue & Customs, the Financial Services Authority and the Financial Services Compensation Scheme.
Creditors	Includes; correspondence with preferential and unsecured creditors; dealing with ROT claims; pensions and employees.
Investigations and Reports on Directors	Includes; Statutory duty of investigation into company's affairs under Statement of Insolvency Practice (SIP2); investigating the directors conduct, and reconciliation of client accounts, in compliance with FSA regulations.
Realisation of Assets	Includes; dealing with the sale of the business and the assets of the Company; dealing with Solicitors.
Trading	Includes; working with OPAL on the daily trading of the plans, working on RBS products, and dealing with investor queries in relation to ongoing products.